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Central Intelligence Agency
Inspector General

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SEMIANNUAL REPORT
TO THE DIRECTOR OF CENTRAL INTELLIGENCE

JULY - DECEMBER 2003

John L. Helgerson
Inspector General

APPROVED FOR RELEASE ☐
DATE: 25-Feb-2010

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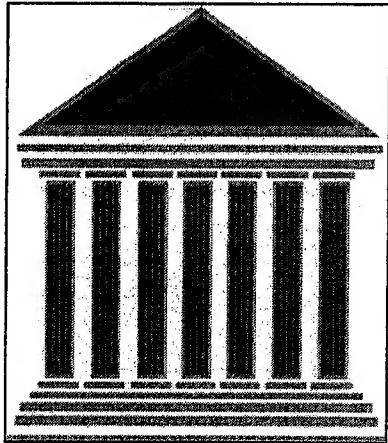
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- (U) CURRENT INSPECTIONS**
- (U) COMPLETED INVESTIGATIONS**
- (U) CURRENT INVESTIGATIONS**
- (U) COMPLETED SPECIAL REVIEWS**
- (U) CURRENT SPECIAL REVIEWS**

(U) A Message From the Inspector General



(U/[]) The Agency's activities relating to the war on terrorism and the war in Iraq have generated a range of novel and complex issues for the Office of Inspector General (OIG) to review during this reporting period. In these cases, the challenge has been to conduct thorough and independent inquiries that will produce meaningful findings and recommendations to improve performance in the long run, while at the same time not unduly interfering with the ability of the Agency to perform its vital mission on a day-to-day basis.

(U/[]) The OIG continues to focus a large proportion of its time and resources on a number of high-priority special reviews and investigations. Jointly with the Inspector General of the Department of State, and with the assistance of the Inspectors General of the Defense Intelligence Agency and the Department of Energy, we produced a "Joint Report on the Alleged Iraqi Attempts to Procure Uranium From Niger." The review, undertaken at the request of the Senate Select Committee on Intelligence (SSCI), assessed the adequacy of efforts performed by the Intelligence Community to authenticate and analyze the reporting on the Iraq/Niger matter, the circumstances of the dispatch to Niger of a retired US ambassador to review the claims, and the manner in which the reporting was incorporated into a National Intelligence Estimate, other intelligence products, and speeches of senior US officials. The findings of the inquiry were briefed to the DCI, the SSCI, and the President's Foreign Intelligence Advisory Board.

[] OIG officers, working in coordination with the Department of Justice (DoJ), are investigating selected activities undertaken by Agency officers as part of the counterterrorist effort in Afghanistan. OIG is also

concluding an investigation [REDACTED]

[REDACTED]

(U) The OIG team conducting the Congressionally-directed review of accountability issues associated with the Agency's handling of developments related to the events of 9/11 is nearing completion of its work. Despite having been given access to much of the work product of the earlier Joint Inquiry by the Intelligence Oversight Committees of the House and Senate, the OIG team has found it necessary to conduct a substantial amount of additional research and interviews. The team has coordinated with the DoJ OIG and has also provided support to the ongoing review by the Kean Commission.

(U) [REDACTED] At DoJ's request, we continue a criminal investigation of certain issues related to the management and implementation of the [REDACTED] The DCI, senior Agency officials, and the Chairman and Vice Chairman of the SSCI have been briefed on the status of the investigation.

[REDACTED] Pursuant to our more traditional responsibilities, the OIG has completed several audits and inspections of key Agency programs and components. These have included audits of covert action programs, as mandated by Congress, and inspections of programs and components that support the Agency's overseas operations, including Global Support, and the discipline of target analysis. Past inspections of two Agency components, Africa Division and the [REDACTED] found such notable management and operational success that the Executive Director recently awarded each of the components a Meritorious Unit Citation. OIG completed significant work on information technology issues, including the security of external connections to the Agency's networks, the communications modernization program, and production of our first annual independent evaluation of the Agency's information security program called for by the Federal Information Security Management Act.

(U) *Audit Staff has completed or has underway several financial audits that will feed into our first-ever audit of the Agency's consolidated financial statements—in this case, statements for fiscal year 2004. OIG has worked closely with the Chief Financial Officer to coordinate our respective actions related to the production and audit of these financial statements by the deadlines established by the Office of Management and Budget and by the Congress. This comprehensive audit is scheduled to be completed in November 2004, and will be conducted annually thereafter.*

(U) *I am particularly pleased to report that the OIG, for the first time in many years, ended fiscal year 2003 with a full complement of auditors and has entered fiscal year 2004 with a budget sufficient to meet the needs of the office. I extend sincere thanks to the Agency managers and recruiters, and Members and staff of the Congressional oversight committees who brought this about. The additional personnel and financial resources will significantly strengthen our capability to perform audits and inspections, and to investigate waste, fraud, and abuse. We will recruit a modest number of additional auditors in the current fiscal year to complete the expansion of our audit capabilities made necessary when the OIG was assigned responsibility for auditing the Agency's financial statements. The office also has initiated a comprehensive review of its information technology requirements with the aim of developing a strategic investment plan and related multi-year funding program. This investment will enable the office to better use technology to manage the growing volumes of information that must be reviewed and retained to carry out inspections, audits, reviews, and investigations of Agency programs.*

(U) *We recently published and distributed our calendar year 2004 Work Plan, which lists the many audits, inspections, and proactive investigations the OIG will undertake in the coming year. The planning process focuses our work on the programs and operations of the Agency that are the most important or, for one reason or another, are perceived to be most subject to management or other challenges. We have included all matters mandated by law, and have been guided also by the DCI's Strategic Direction, Congressional report language, requests of senior Agency*

managers, the findings of completed OIG reviews, and the trends and issues we observe in the Agency. Copies of our Work Plan are available upon request, and we welcome your comments or suggestions at any time.

*✓ John L. Helgerson
15 January 2004*

(U) STATUTORY REQUIREMENTS

(U/ []) This report is submitted pursuant to section 17 of the CIA Act of 1949, as amended, which requires the Inspector General to provide to the DCI, not later than 31 January and 31 July of each year, a semiannual report summarizing the activities of the OIG for the immediately preceding six-month periods, ending 31 December and 30 June, respectively.

(U) All audit activities of the OIG are carried out in accordance with generally accepted government auditing standards. All OIG inspection and investigation activities conform to standards promulgated by the President's Council on Integrity and Efficiency.

(U) The OIG has had full and direct access to all Agency information relevant to the performance of its duties.

(U) Subpoena Authority

(U/ []) During this reporting period, the IG did not issue any subpoenas.

(U) Legislative Proposals

(U) OIG has no proposals for legislative changes.

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(U) AUDITS

(U) AUDIT STAFF OVERVIEW

(U) The Audit Staff conducts performance, financial-related, and financial statement audits of Agency programs and activities. In addition, the Audit Staff provides oversight of Agency interests through its participation in joint reviews of Intelligence Community programs and activities and responds to requests for audits or reviews from Congressional and Executive Branch officials. In the last six months, the Audit Staff has completed evaluations and audits of Agency programs and activities, financial management, and information technology issues.

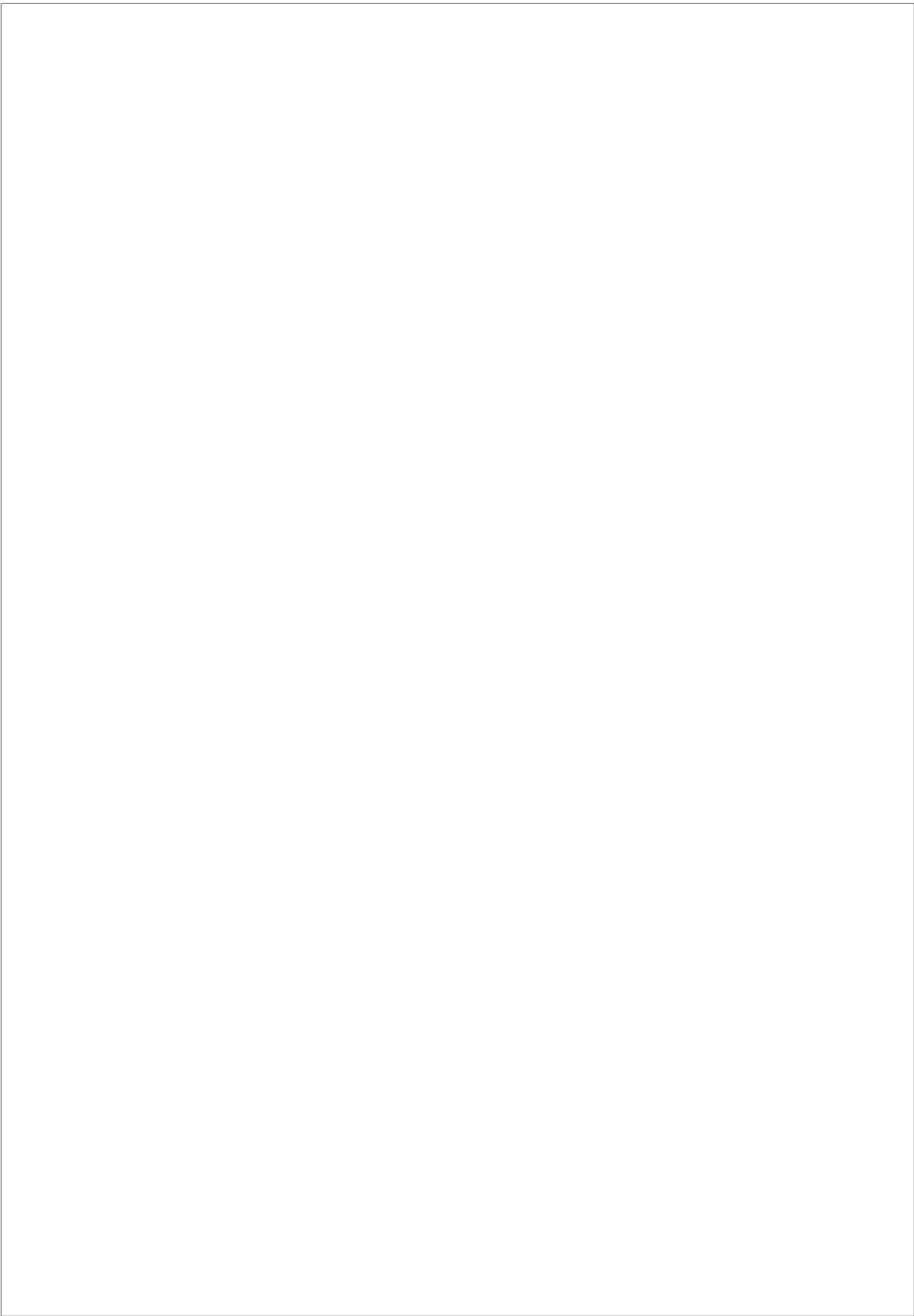
(U) The Audit Staff continues to focus on three significant issues that have been mandated either by the Congress or through statute: (1) auditing the Agency's fiscal year (FY) 2004 financial statements, (2) providing continuing oversight of covert action programs, and (3) evaluating the Agency's information security program. The audit of the Agency's FY 2004 financial statements is under way and will continue through November 2004. The Audit Staff continued its aggressive audit schedule of covert action programs: audit fieldwork was completed on two covert action programs and an audit of one of the Agency's largest covert actions began in November 2003. The first independent evaluation of the Agency's information security program required by the Federal Information Security Management Act was completed in September 2003.

(U/) A robust recruiting effort over the past several years has resulted in the Audit Staff having a full complement of auditors who possess a wide range of skills and experience to provide oversight of the important issues facing the Agency. The Staff continues to recruit auditors with information technology and other unique skills to ensure that it will have the needed resources to meet its obligatory audit responsibilities.

(U) SIGNIFICANT COMPLETED AUDITS





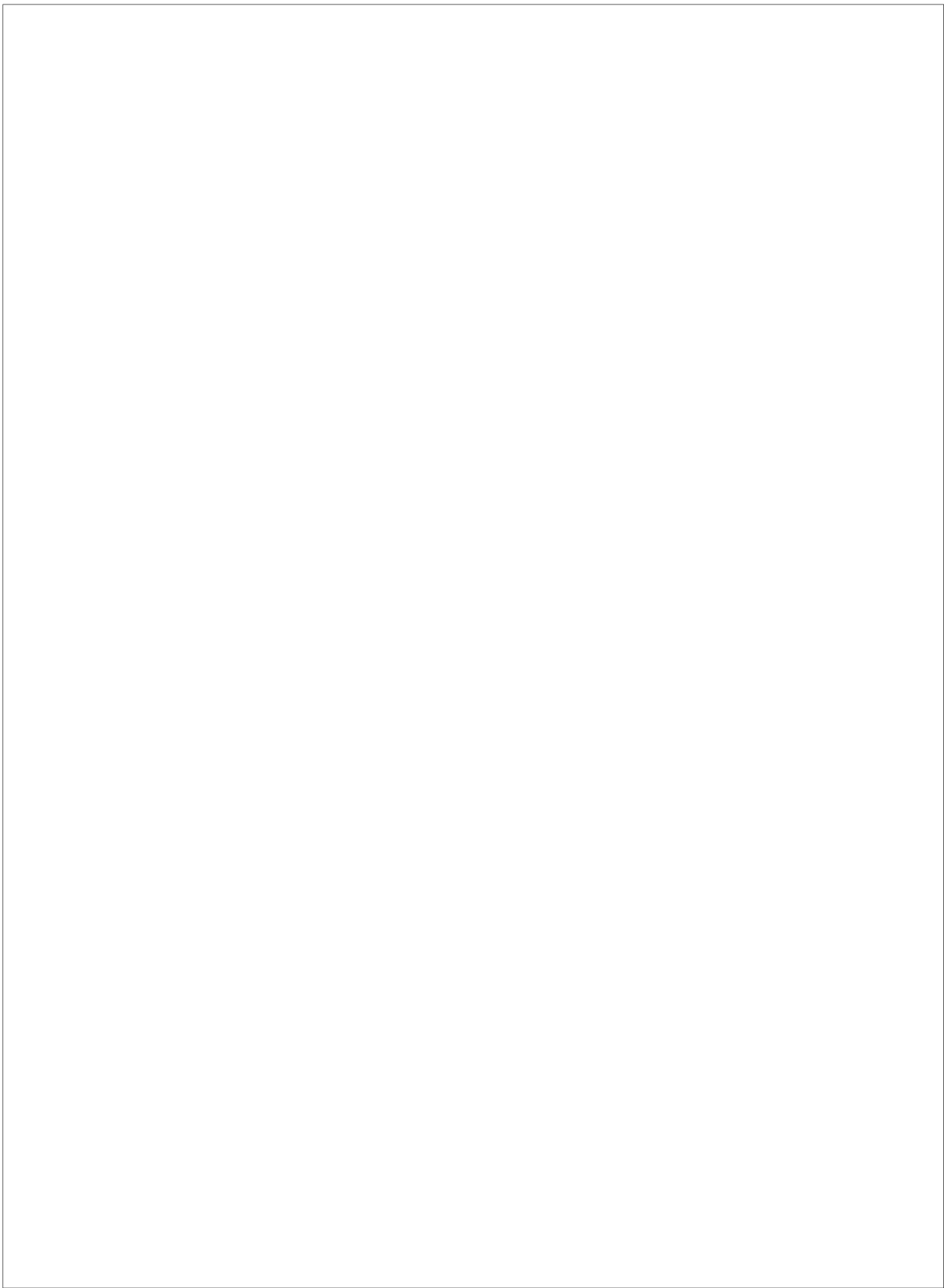


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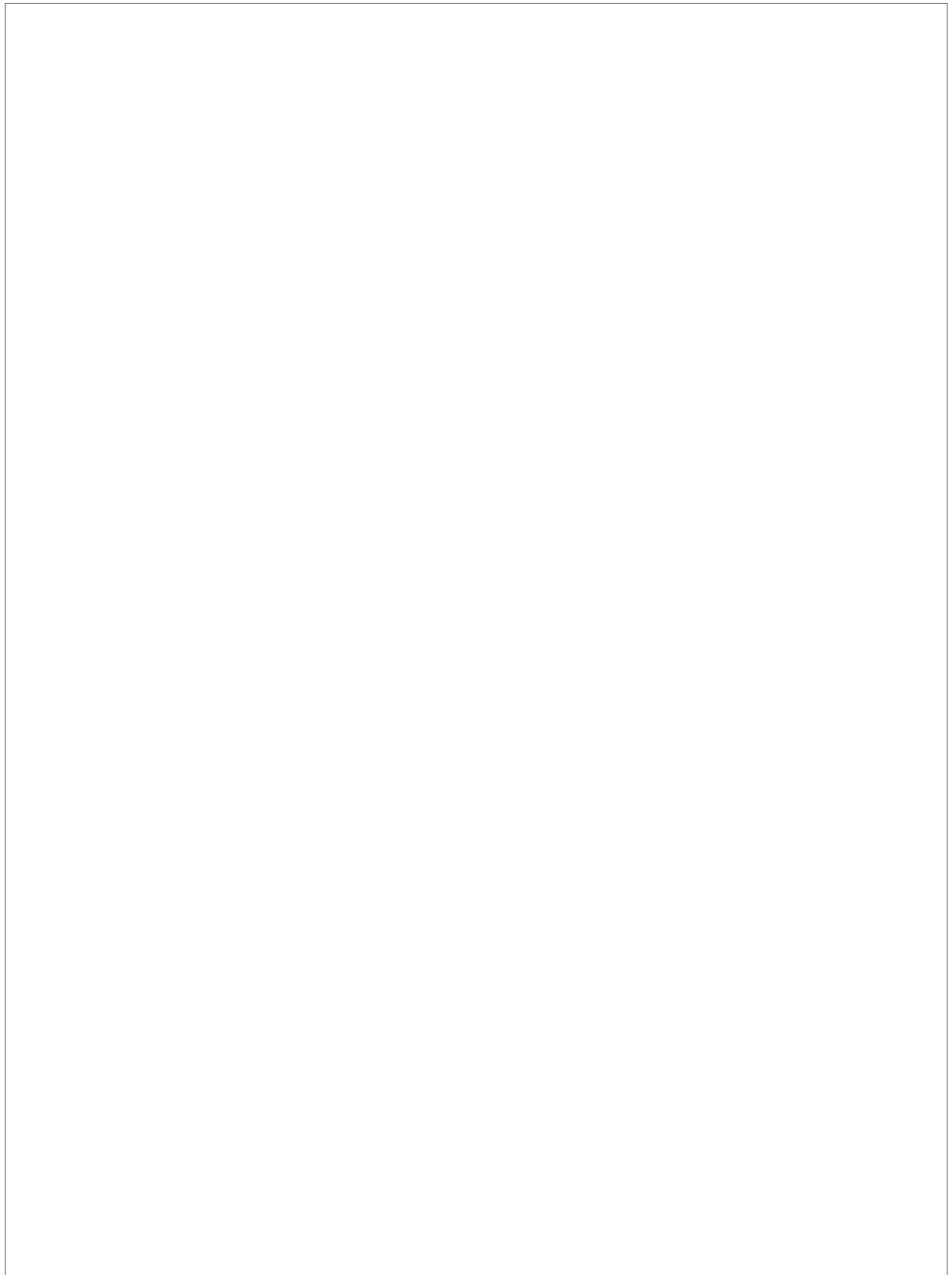


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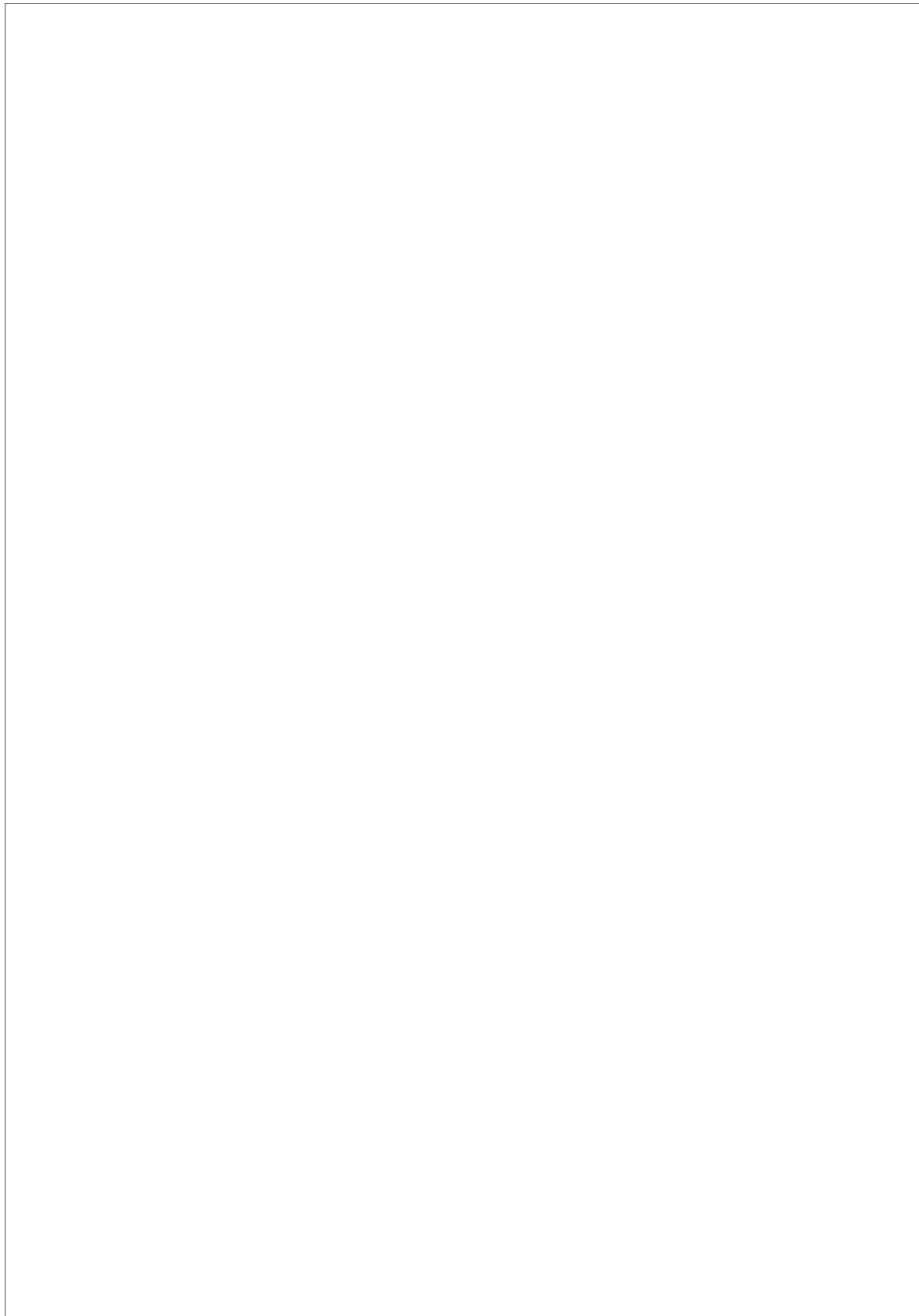
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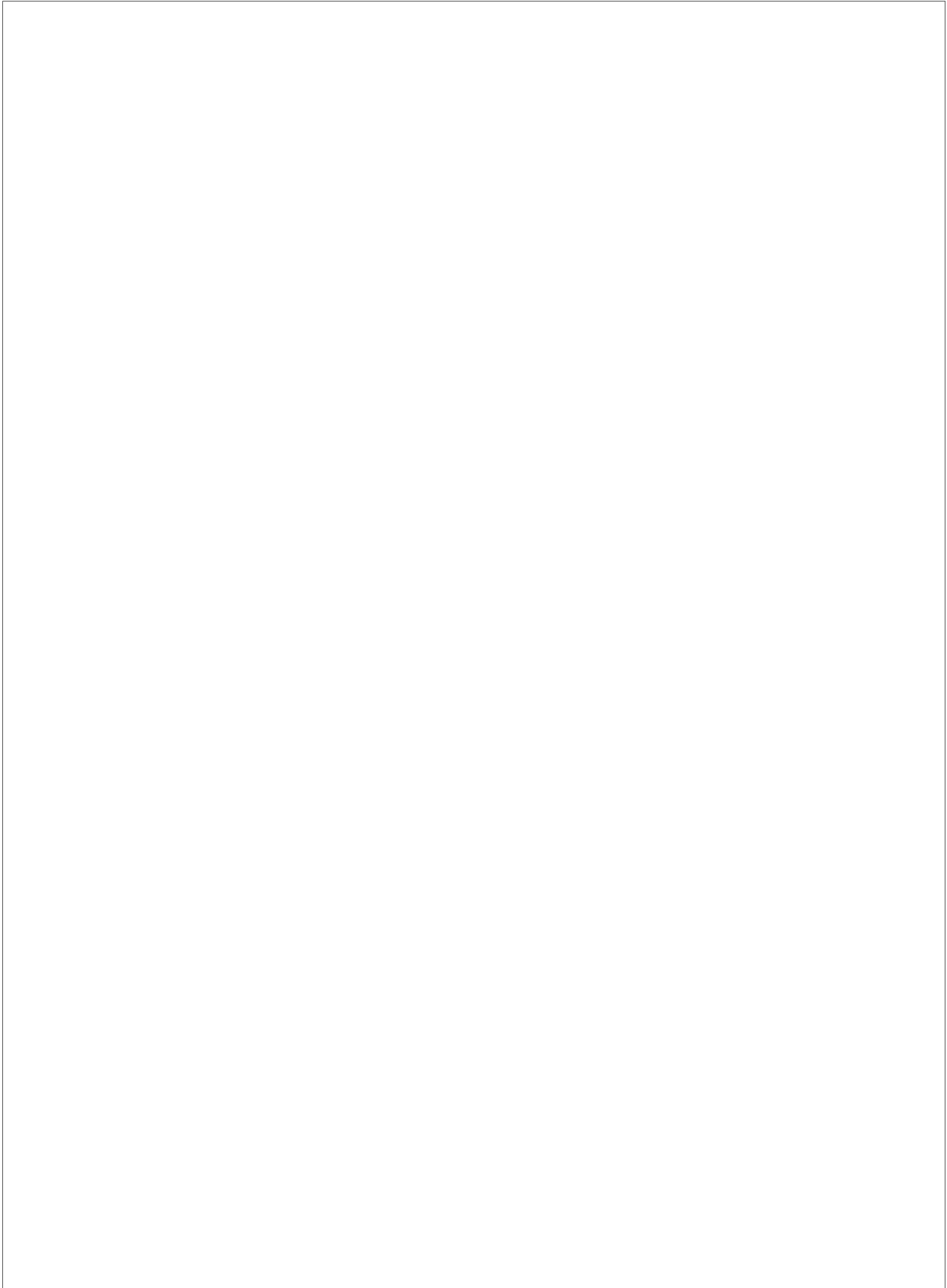
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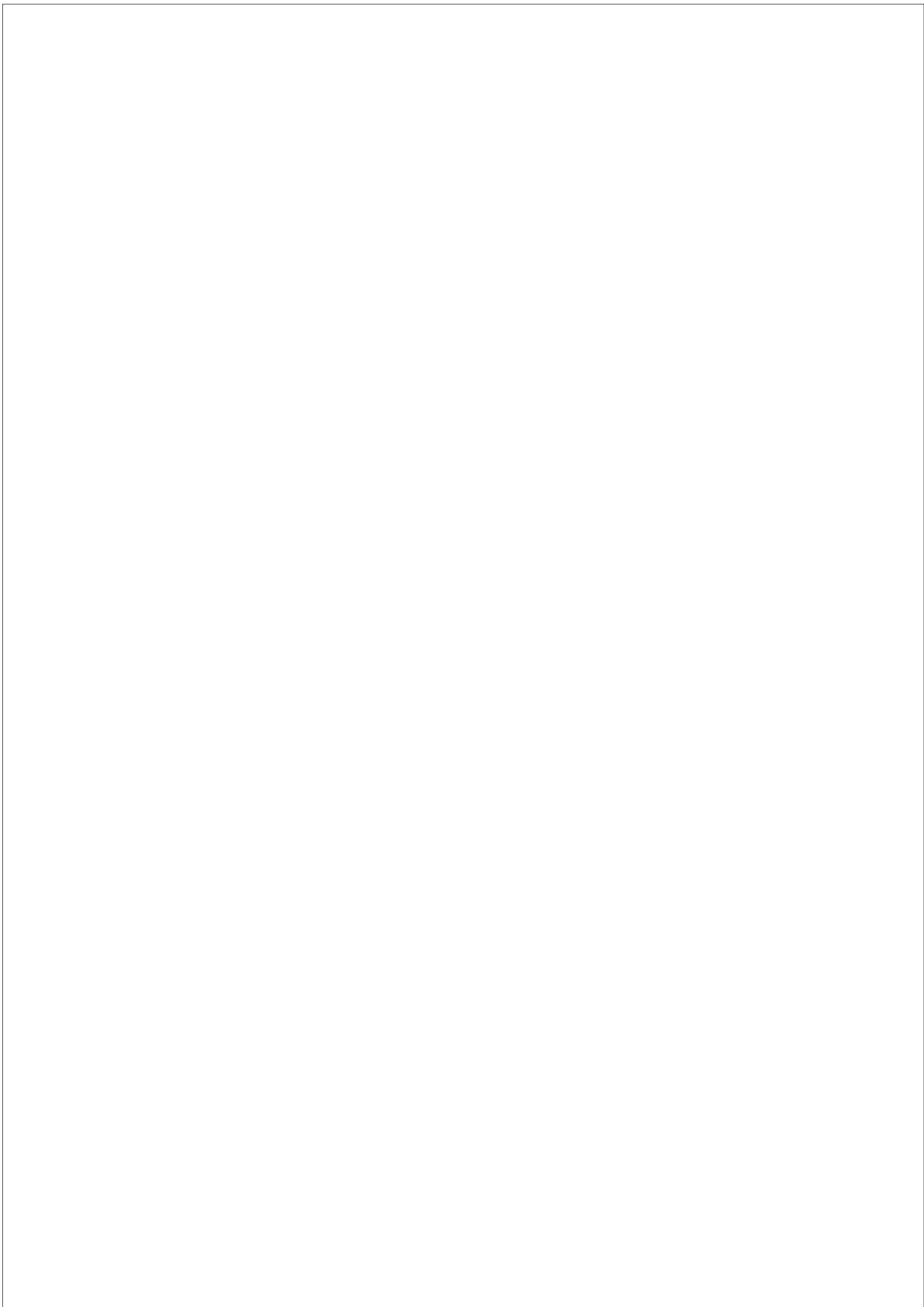






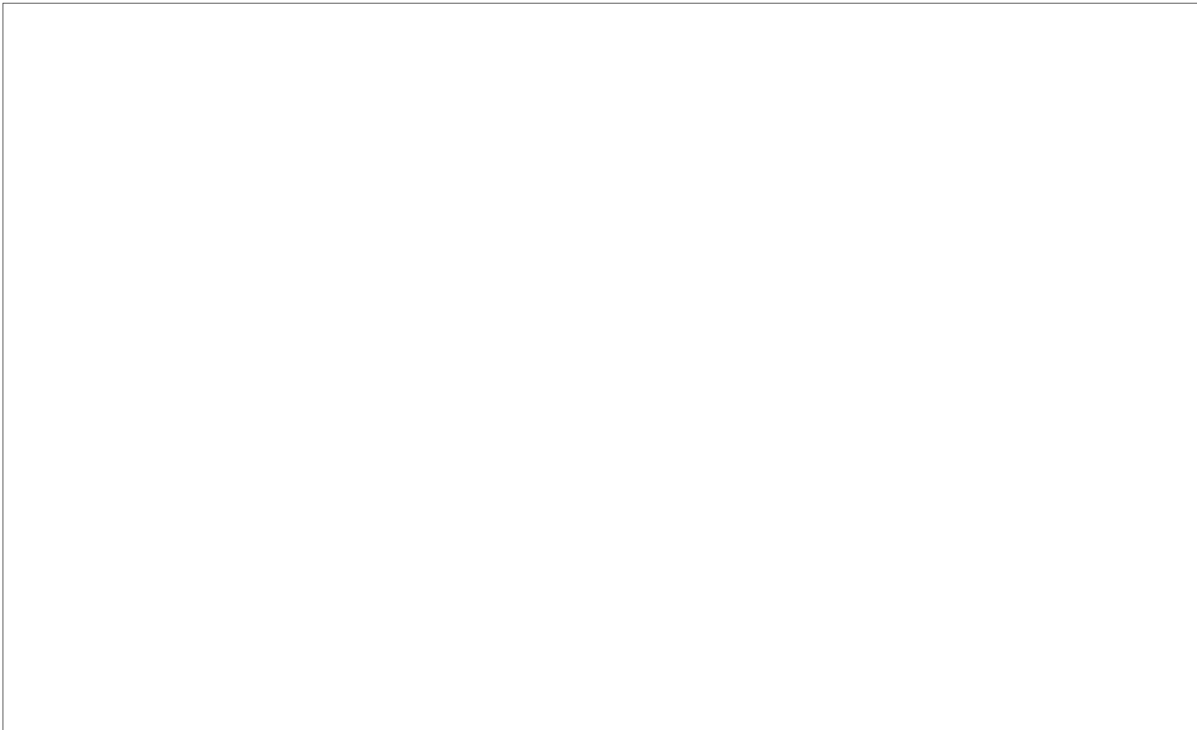












(U) SUMMARIES OF SELECTED CURRENT AUDITS





(U) INSPECTIONS

(U) INSPECTION STAFF OVERVIEW

(U/[REDACTED]) The Inspection Staff is responsible for conducting inspections of Agency programs and operations to evaluate their efficiency and effectiveness and their compliance with law, Executive orders, and regulations.

(U/[REDACTED]) During the current reporting period, the Staff completed inspections of Global Support, Target Analysis, and one special review. The Staff is nearing completion of the inspections of Cover Management, Information Security, and the Directorate of Operations' (DO) Central Eurasia Division. In addition, the Staff continues work on one special review and began inspections of the DO's National Resources (NR) Division and [REDACTED] [REDACTED] and the Directorate of Intelligence's (DI) Offices of Transnational Issues (OTI) and Policy Support (OPS).

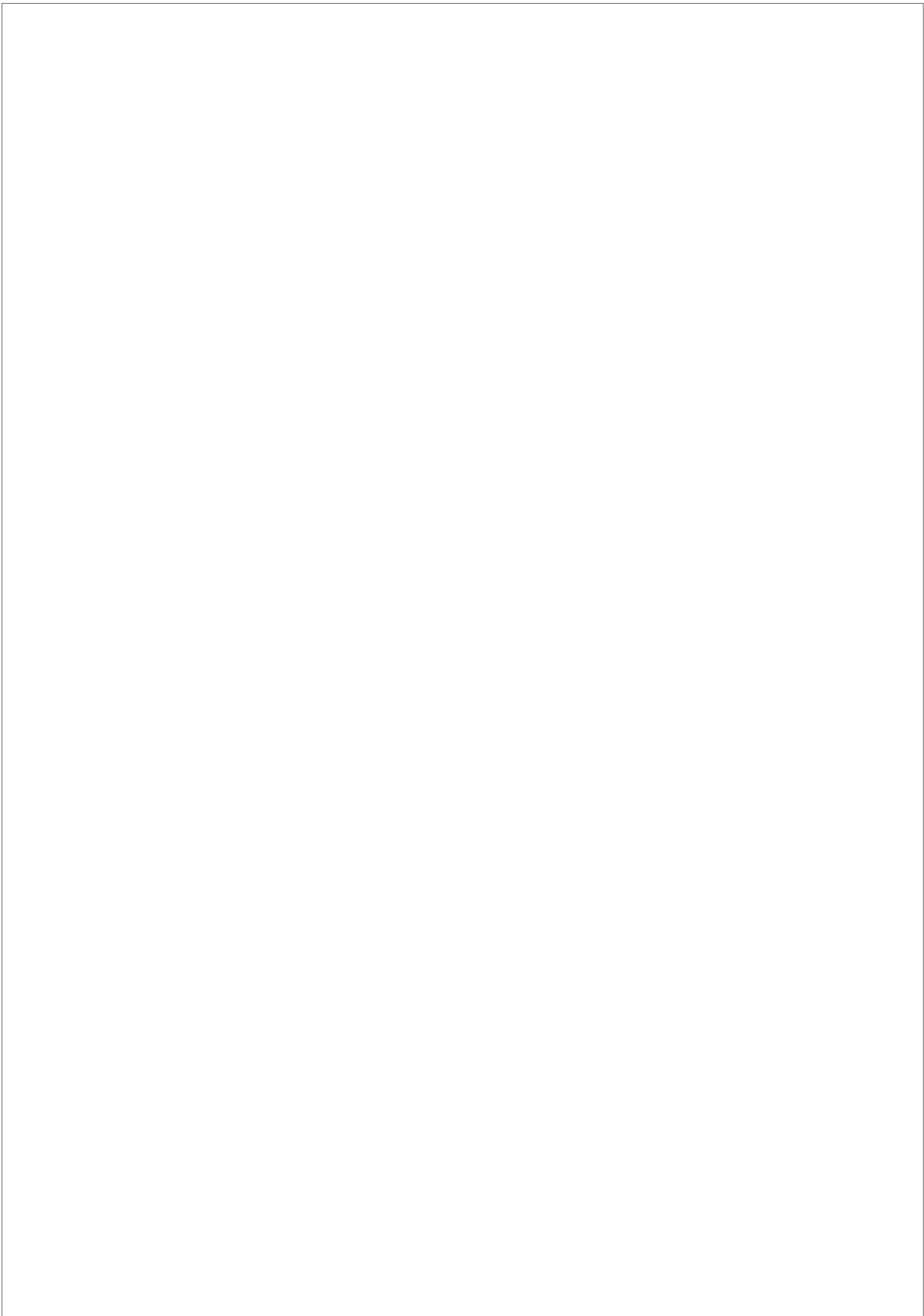
(U/[REDACTED]) The Inspection Staff continues to conduct a two-week course for new inspectors and a seminar for team leaders before the start of each inspection cycle. The Staff also conducts seminars for OIG inspectors and research assistants during the course of each cycle, instituted in response to the increasing sophistication of our methodology. These seminars build on the New Inspectors' Training Course and address topics such as interview strategy, the exploitation of databases, electronic focus group methodology, research and analysis, process mapping, graphic production, and constructing sound Findings and Recommendations.

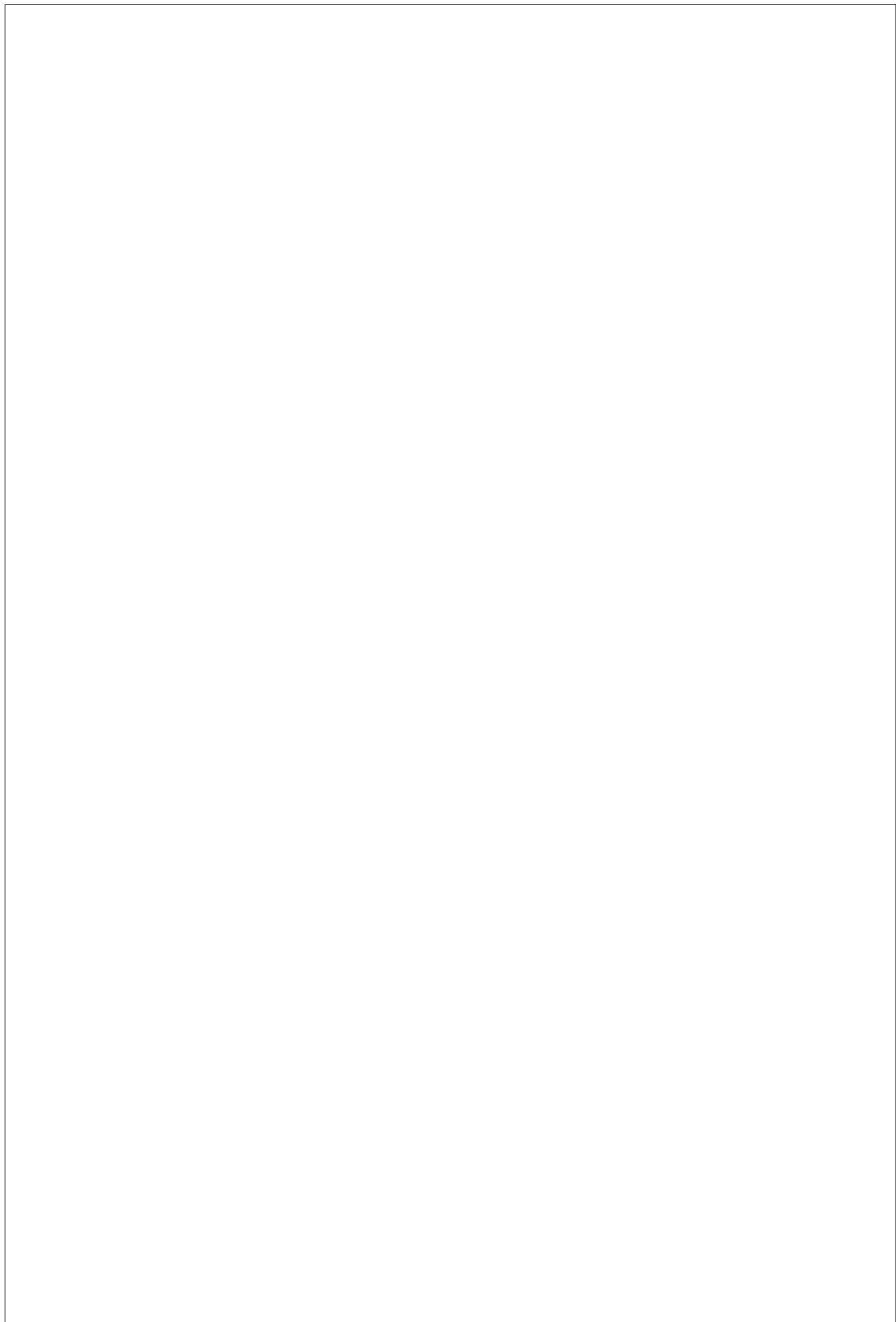
(U/[REDACTED]) In addition, the Inspection Staff continues to reap the benefits of utilizing an independent contractor to track, monitor, and pursue the compliance with recommendations. As a result, the Staff has closed six inspections that were open as of 1 July 2003.



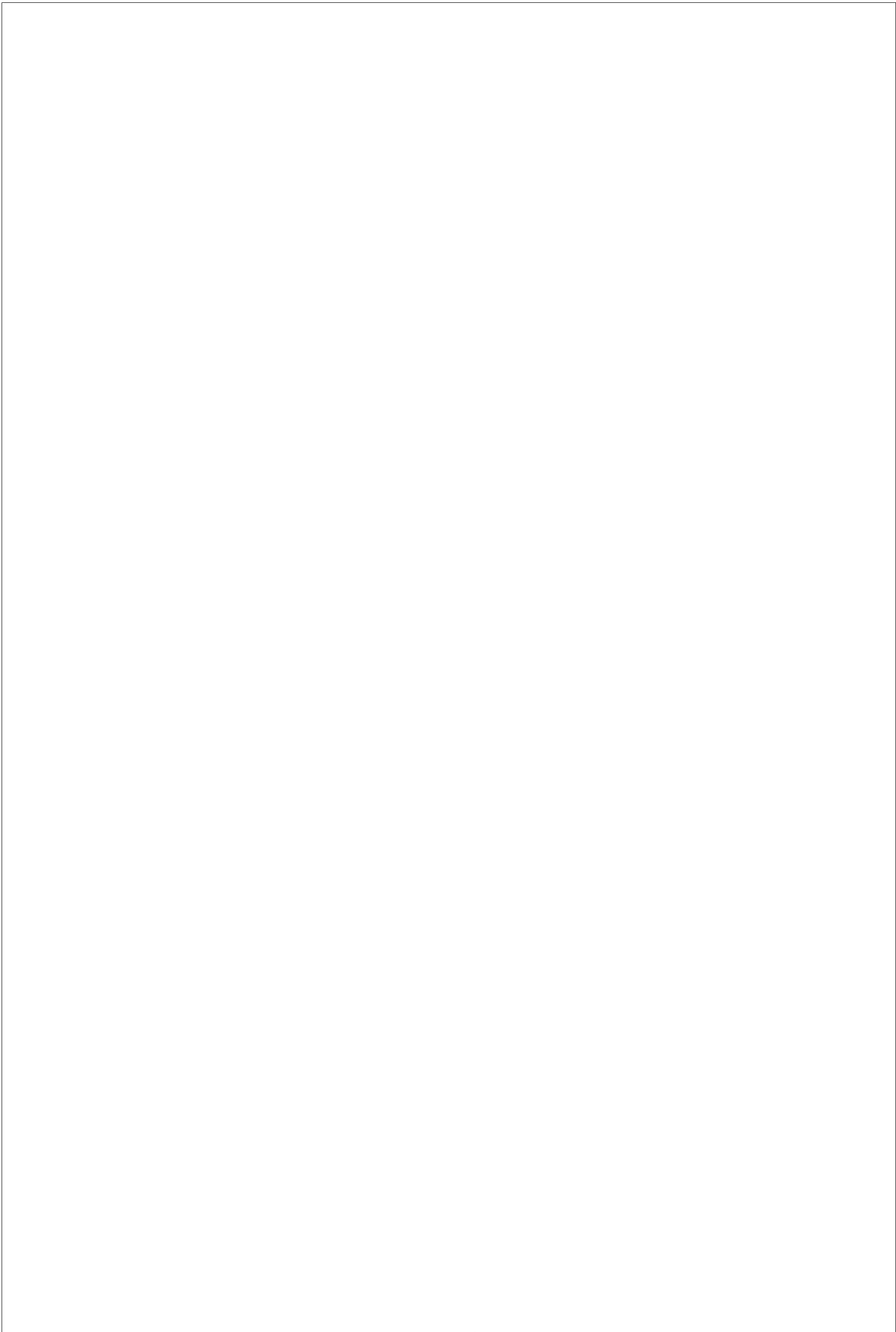
(U) COMPLETED INSPECTIONS

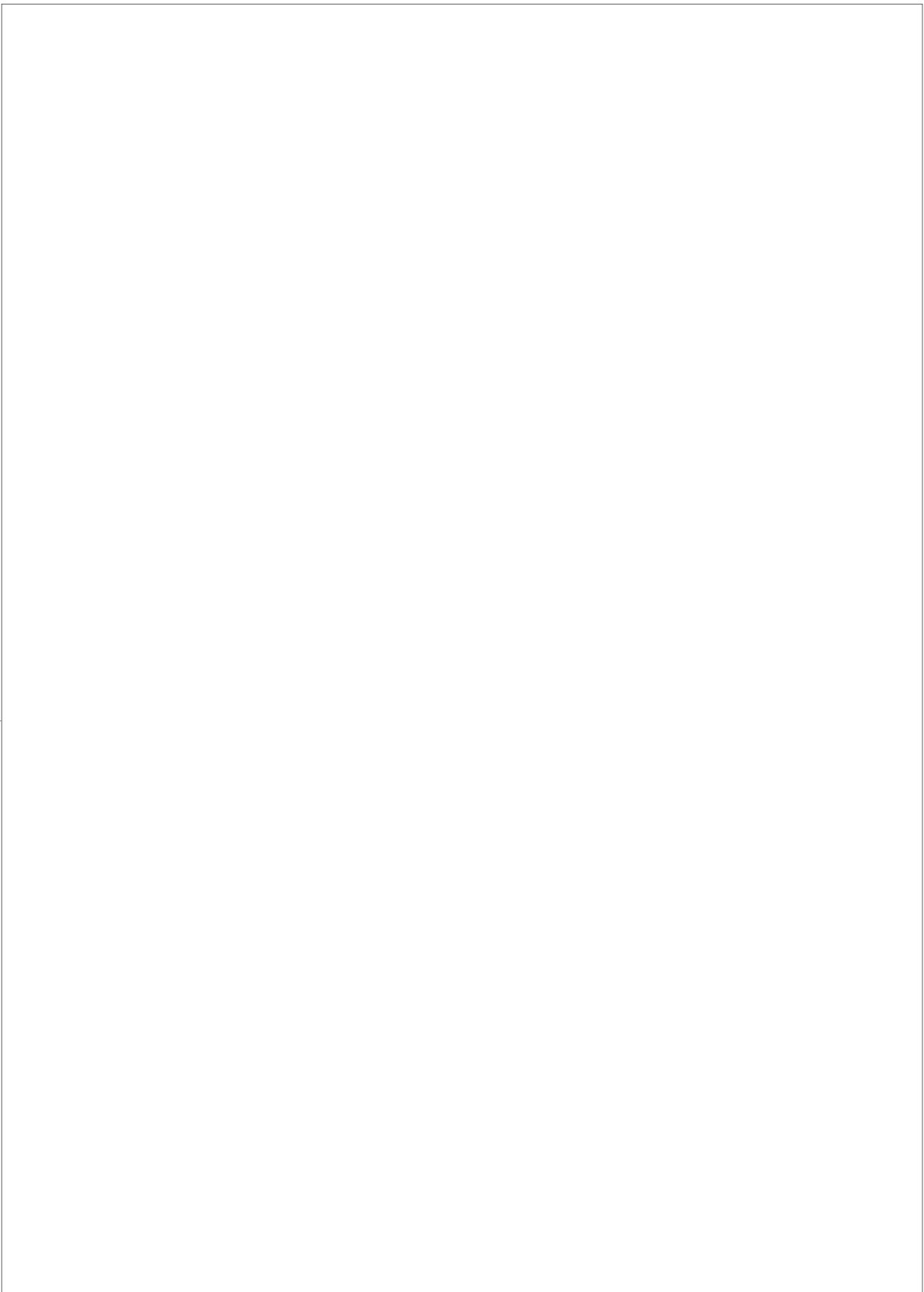
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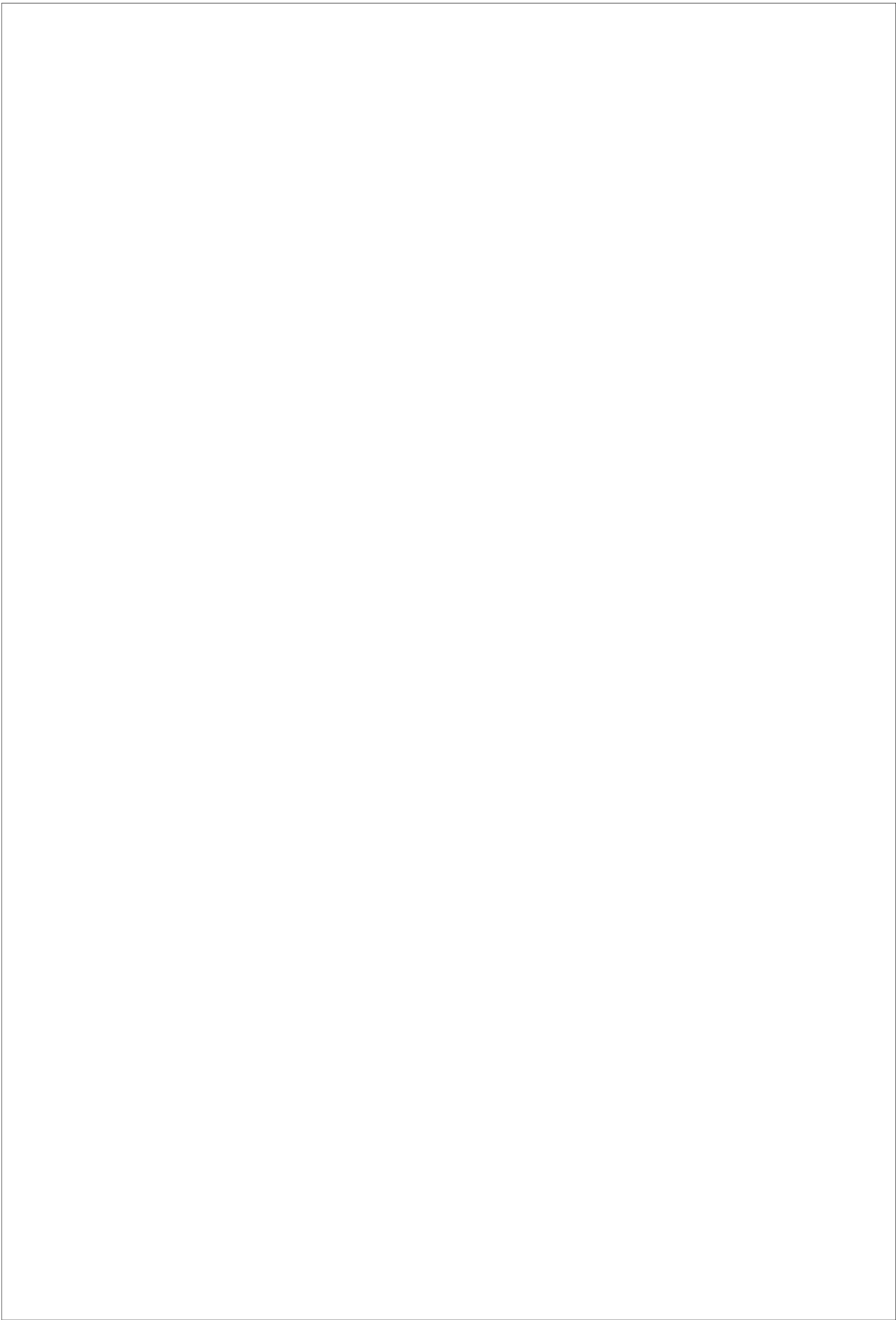






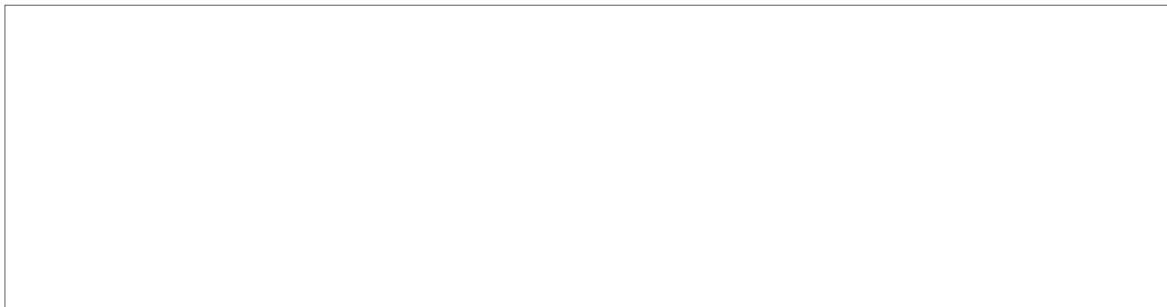




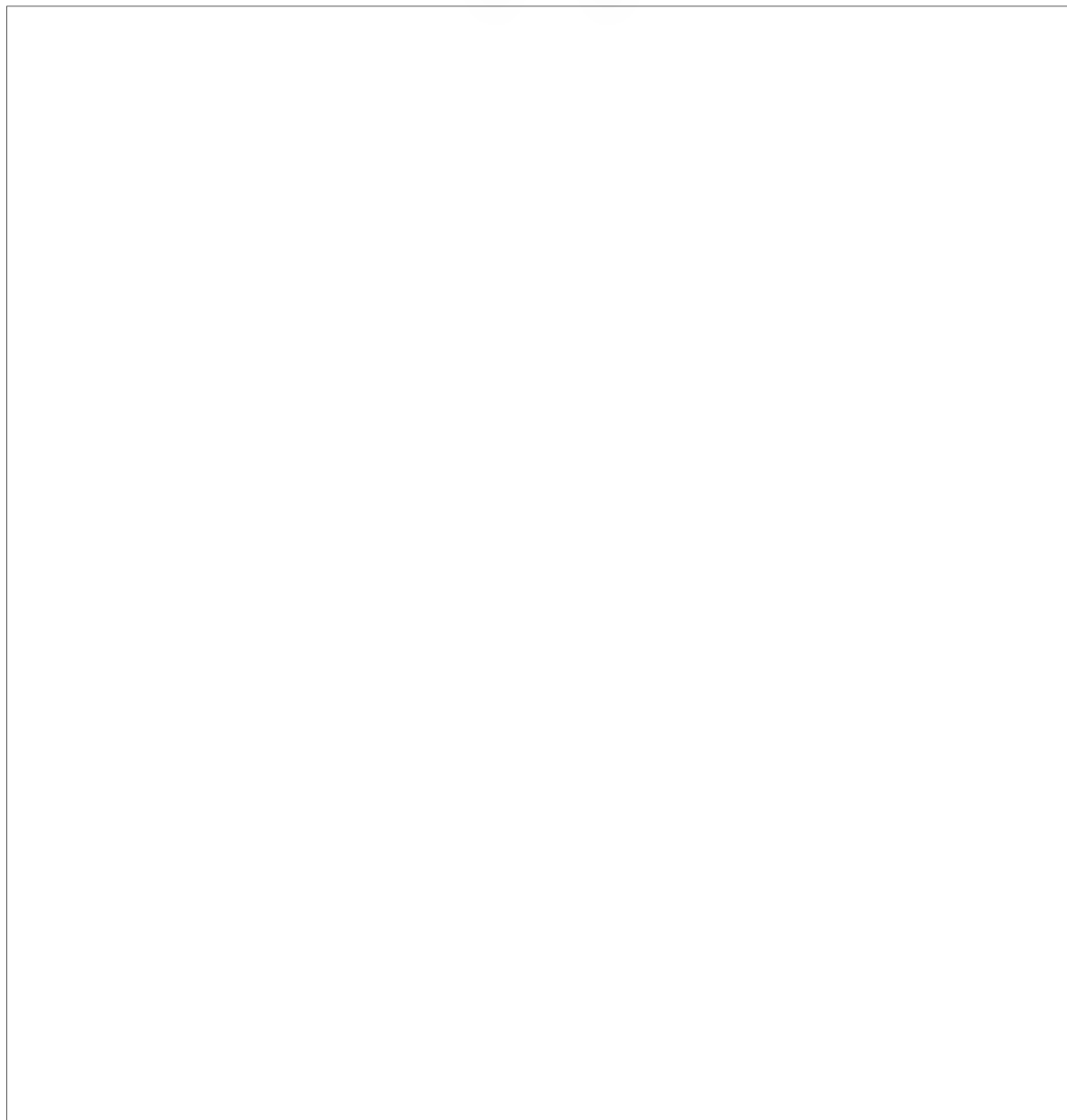


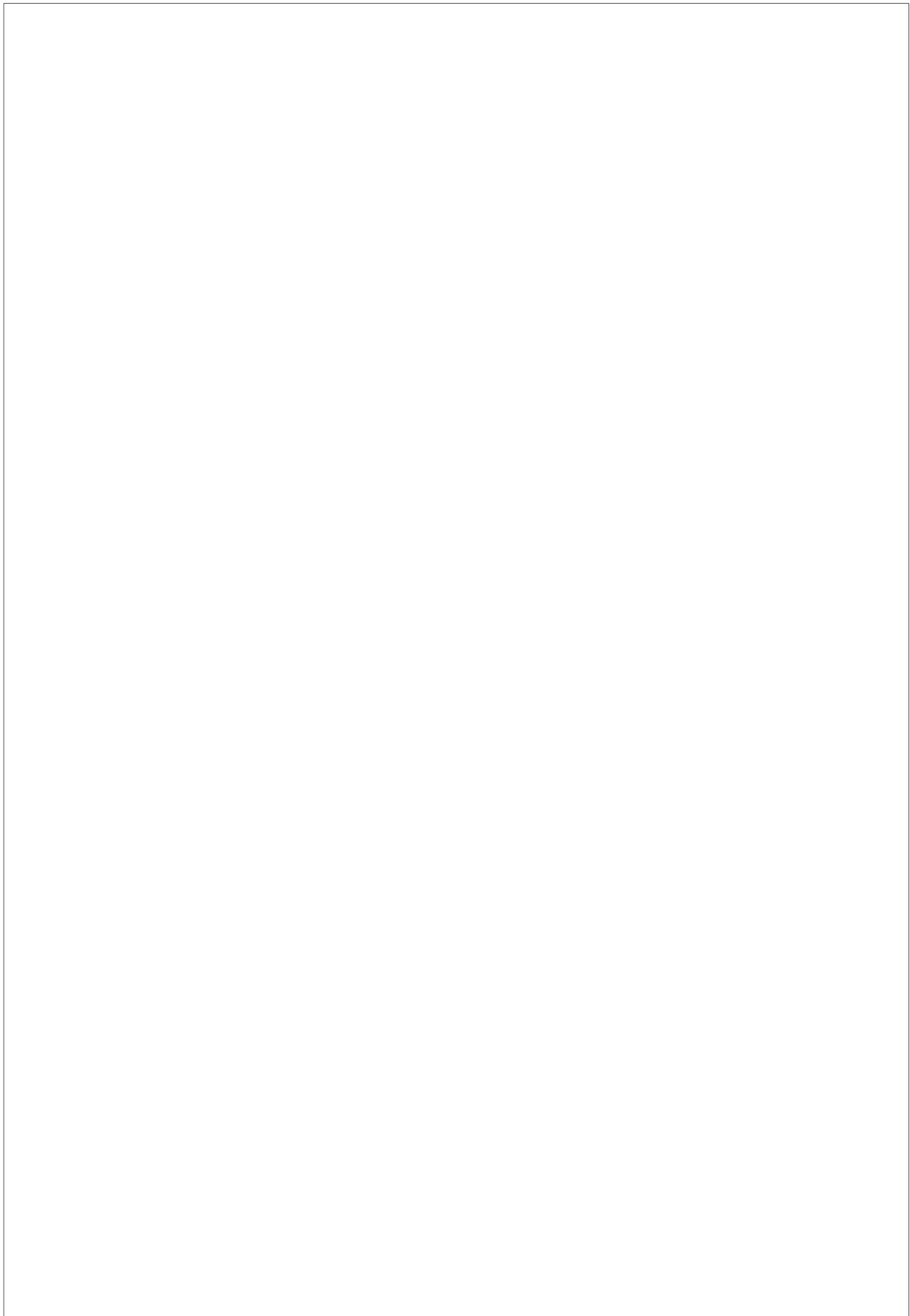






(U) SUMMARIES OF CURRENT INSPECTIONS





(U) INVESTIGATIONS

(U) INVESTIGATIONS STAFF OVERVIEW

(U/[REDACTED]) The Investigations (INV) Staff investigates possible violations of statutes, regulations, policies, and procedures, as well as allegations of waste, fraud, mismanagement, abuse of authority, and substantial dangers to public health and safety related to Agency programs and operations. The INV Staff also oversees the Agency's grievance system and conducts proactive initiatives aimed at detecting and preventing fraud, waste, and abuse.

[REDACTED] More than half of the Staff's resources are devoted to high priority investigations or special reviews. These include a review of certain post-9/11 counterterrorism responsibilities; an investigation into the circumstances of an overseas training exercise that resulted in a fatality; an investigation of selected activities undertaken by Agency officers as part of the counterterrorist effort in Afghanistan; an investigation of an "Urgent Concern" filed under section 17(d)(5) of the CIA Act of 1949, as amended, alleging retaliation against a whistleblower; and an investigation of the procedures involved in the [REDACTED] Many of these special inquiries are nearing completion.

(U/[REDACTED]) The Staff has initiated a number of investigations regarding fabrication of security background investigations and Federal Employees' Compensation Act (FECA) payments for potential fraud. An Agency employee and three independent contractors working on an Agency contract allegedly submitted false claims and fabricated interview reports while conducting security background investigations. Another individual, a former Federal agent who served as an independent contractor on an Agency contract, recently pled guilty to knowingly making false statements in the submission of background investigations on current and prospective employees of the US Government. He was sentenced to one year supervised probation, ordered to pay restitution of \$20,800,

and fined \$1,000. INV is also investigating, under the direction of the Department of Justice (DoJ), three significant, potential FECA fraud cases.

(U, [REDACTED]) The Staff oversees the Agency-wide grievance system. The investigator who served as the focal point for all grievance-related matters retired after serving in that capacity for seven years. Another investigator assumed responsibility for the function in June. OIG issued a revised Agency regulation on grievance resolution, which sets forth the basic rules applicable to the presentation and handling of grievances.

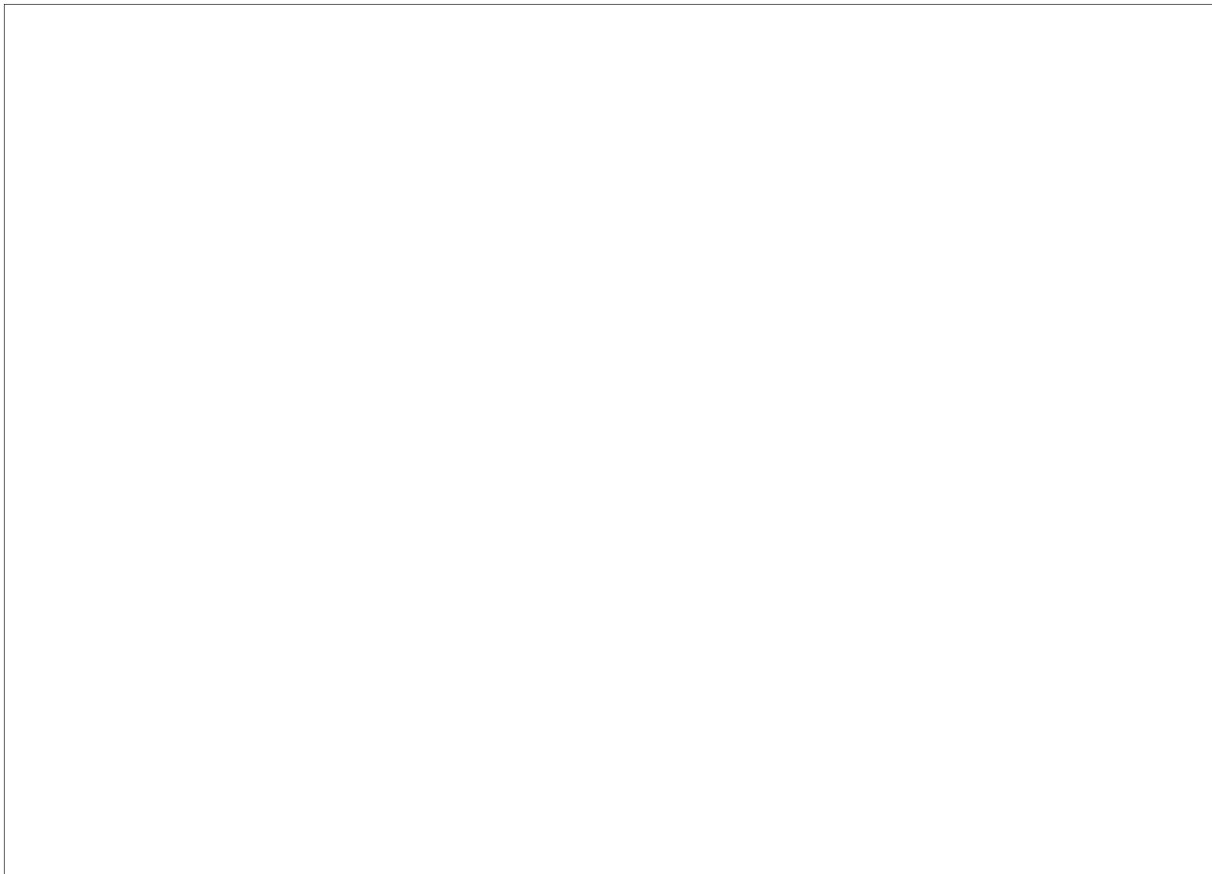
(U) SIGNIFICANT COMPLETED INVESTIGATIONS

[REDACTED]

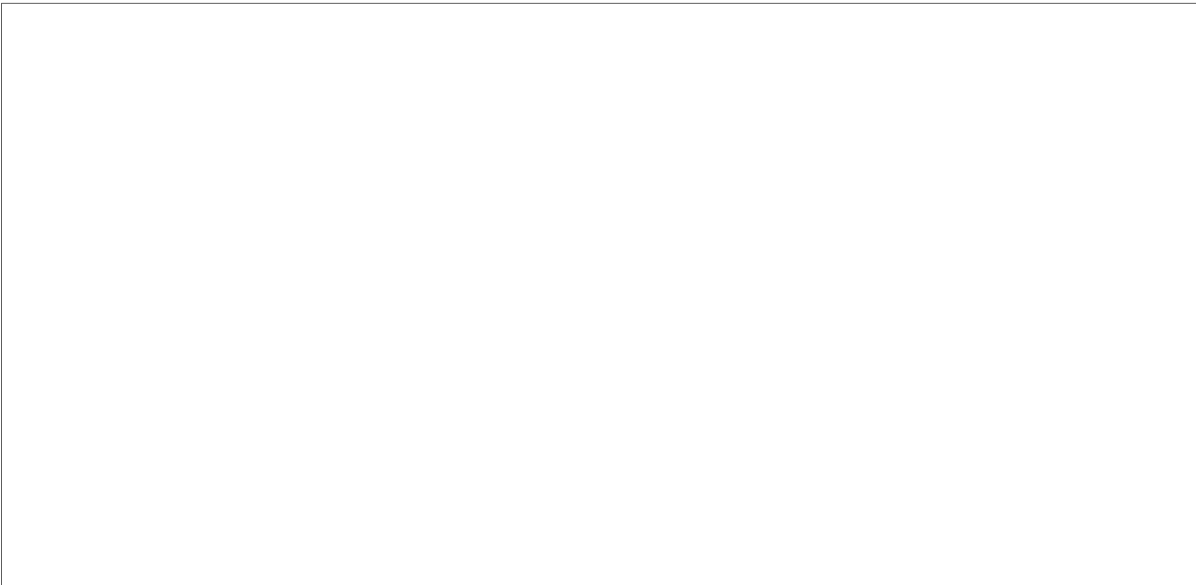
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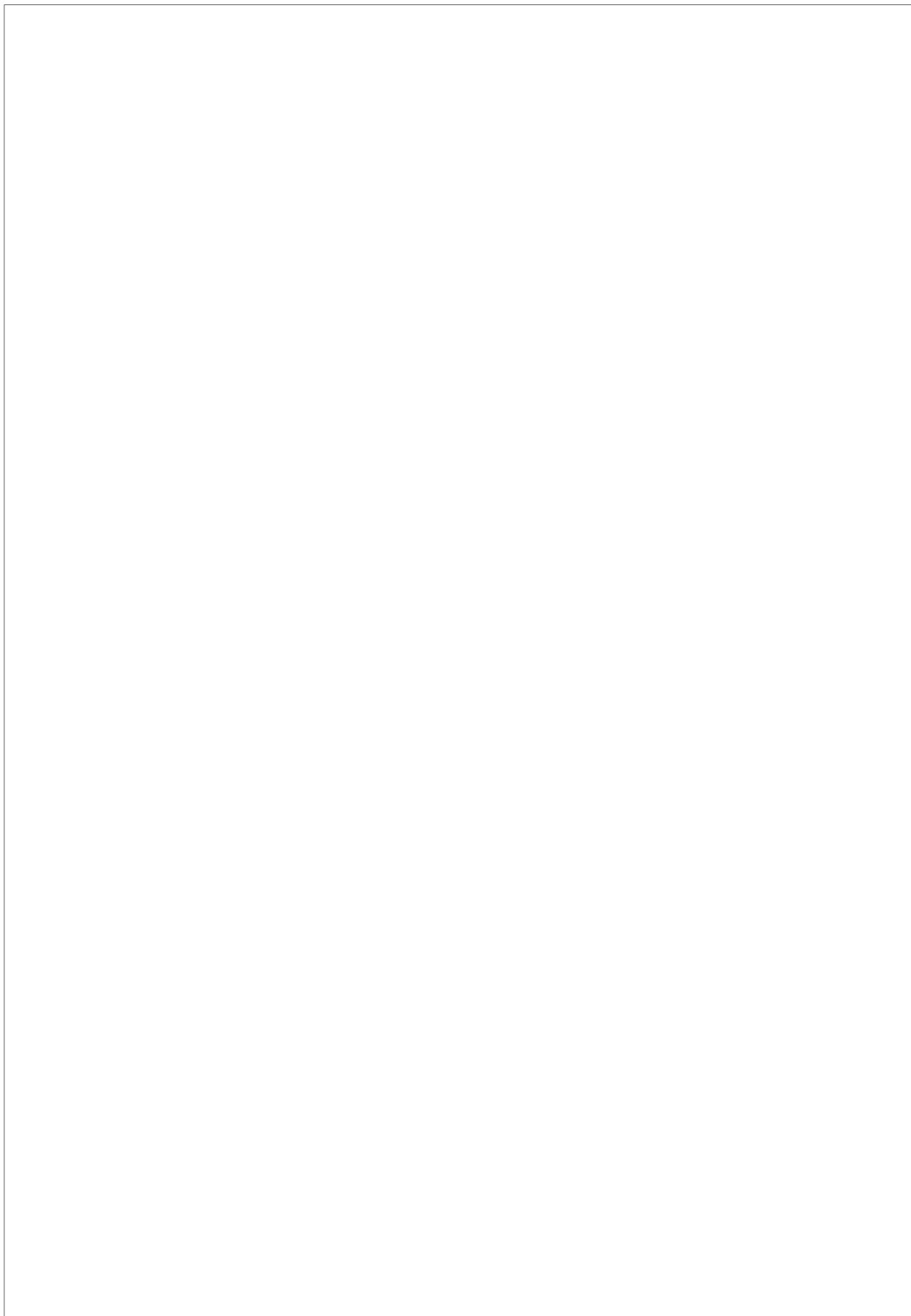
***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
FROM PREVIOUS SEMIANNUAL REPORTS***

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(U) SUMMARIES OF SELECTED CURRENT INVESTIGATIONS







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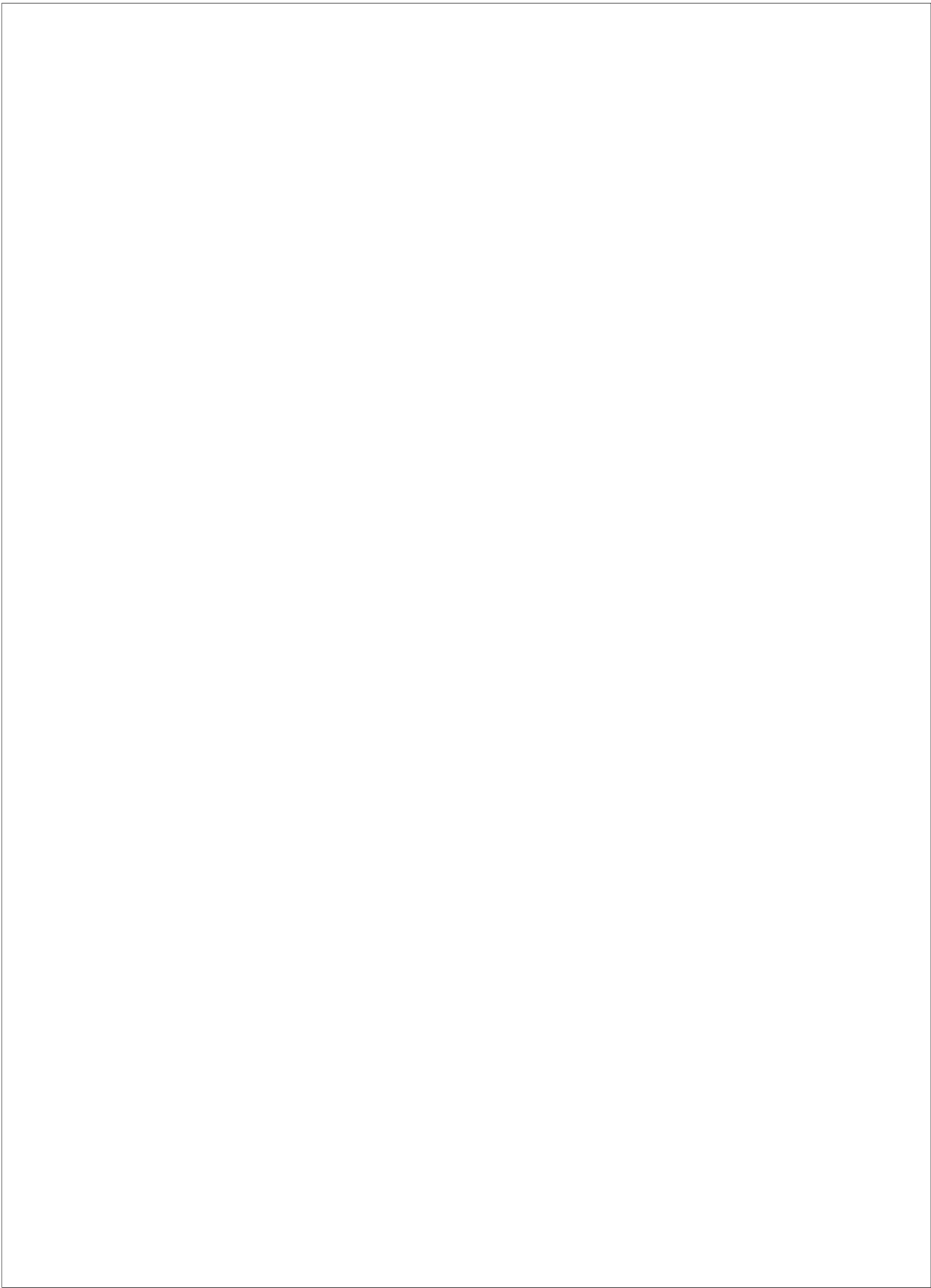
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(U) SPECIAL REVIEWS

(U/) Special reviews are undertaken by ad hoc teams under the leadership of a senior OIG officer to address issues of special concern identified by Congress, senior CIA leaders, or the Inspector General. During this period, the OIG completed a *Joint Report of the Alleged Iraqi Attempts to Procure Uranium From Niger*; began a joint peer review of the National Reconnaissance Office (NRO), Office of Inspector General; and continued work on two ongoing special reviews.

(U) COMPLETED SPECIAL REVIEWS

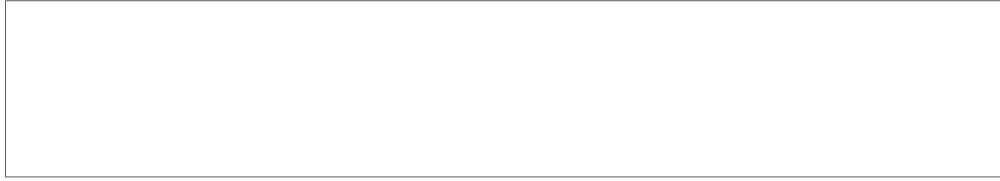


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(U) SUMMARIES OF CURRENT SPECIAL REVIEWS



(U) STATISTICAL OVERVIEW

(U) Audit Staff

(U/ []) During the period 1 July to 31 December 2003, the Audit Staff issued 10 reports and made 37 recommendations to improve accounting and financial management, information systems security, supply management and program effectiveness, and general management.

(U) The Audit Staff had 23 audits and reviews ongoing at the end of the reporting period.

(U) Inspection Staff

[] During the last six months of 2003, the Inspection Staff completed two inspections—Global Support and Target Analysis—and one special review, *Joint Report of the Alleged Iraqi Attempts to Procure Uranium From Niger*. The Staff also had seven ongoing inspections at the end of the reporting period that include reviews of the Information Security, Cover Management, Central Eurasia Division/DO, National Resources Division/DO, the Office of Transnational Issues/DI, the Office of Policy Support/DI, and an inspection of the Resource, Policy and Plans arm of the DO. The Staff also closed six inspections during this period: Budget Formulation and Execution (December 2001), Leadership Analysis (December 2001), CIA's Approach to Warning (May 2002), Collection Requirements and Evaluation Staff/DI (June 2002), Exploitation of Technical Tools (September 2002), and Africa Division/DO (June 2003).

(U) Investigations Staff

(U/) The Investigations Staff completed work on 136 matters of various types during this reporting period. Of this number, 27 cases were of sufficient significance to be the subject of a final report—14 Reports of Investigation and 13 Disposition Memoranda.

(U/) During this period, the IG formally referred 12 matters to DoJ based upon a reasonable belief that violations of Federal criminal law may have been committed.

(U/) Recoveries on behalf of the US Government during this reporting period, as a result of the Investigations Staff's efforts, totaled \$15,000.

(U/) As of 31 December 2003, 76 matters were in various stages of review by the Investigations Staff.

(U) COMPLETED AUDITS

1 July – 31 December 2003

(U) Financial Management

(U) Foreign Broadcast Information Service – [redacted]

[redacted] Financial and Acquisition Management at [redacted]

(U) The Agency's Fund Balance With Treasury

(U) Payroll Expense Processing and Reporting

(U) Operations

(U) Financial and Other Administrative Aspects of a Sensitive Project in the Information Operations Center

(U) Procurement and Technology

(U) Communications in the 21st Century Program

(U) Security of External Connections to the Agency Data Services Network

(U) Independent Evaluation of the CIA Information Security Program and Practices Required by FISMA

(U) Joint Review of the Inventory of Assets of the [redacted]
[redacted] Program Office [redacted]

(U) Other

(U) External Quality Control – Security Program Evaluation and Assessment Division, Office of Security and Intelligence Oversight, Department of State Office of Inspector General

(U) CURRENT AUDITS

31 December 2003

(U) Financial Management

(U) Agency Bank Accounts

(U) Central Intelligence Agency Retirement and Disability System (CIARDS)

(U) Environmental Liabilities, Other Liabilities, and Commitments and Contingencies

(U) Administration of Transactions With Other Government Agencies

(U) Adequacy of Documentation Supporting Financial Transactions

(U) Financial Management System Year-end Closing Process

(U) The Agency's Fiscal Year 2004 Financial Statements

(U) Operations

(U) Review of the National HUMINT Requirements Tasking Center

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(U) CIA Support to Federal Agencies Responsible for Issuing
Deemed Export Licenses

[Redacted]

[Redacted]

[Redacted]

(U) **Procurement and Technology**

(U) Directorate of Operations Operational Records System-
Starbase

(U) Service Contracts

(U) Use of Agency Vehicles

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(U) COMPLETED INSPECTIONS

1 July – 31 December 2003

(U) Target Analysis

(U) Global Support (GS) Mission Support Office

(U) CURRENT INSPECTIONS

31 December 2003

(U) Central Eurasia Division, Directorate of Operations

(U) Cover Management

(U) Information Security

(U/) Office of Transnational Issues, Directorate of
Intelligence

(U/) Office of Policy Support, Directorate of
Intelligence

(U/) National Resources Division, Directorate of
Operations

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(U) COMPLETED INVESTIGATIONS

1 July – 31 December 2003

(U) Alleged Embezzlement

[]

(U) Alleged Federal Employees' Compensation Act Fraud

[]

(U) Alleged Gratuities Solicitation

[]

(U) Alleged Improper Relationship Between a Contracting Officer's
Technical Representative and an Agency Contractor

[]

(U) Alleged Misconduct of Agency Officers

[]

(U) Alleged Misuse of Government Computer

[]

(U) Alleged Misuse of Government Equipment and Potential Time
and Attendance Fraud

[]

(U) Alleged Nepotism

[]

(U) Alleged Procurement Fraud

[]

* (U) These investigations resulted in a Disposition Memorandum rather than a Report of Investigation.

(U) Alleged Regulatory Violation

(U) Alleged Time and Attendance Fraud

(U) Alleged Voucher Fraud

(U) Conflict of Interest

(U) Fraudulent Receipt of Agency Funds

(U) Management Culpability in Time and Attendance Fraud

(U) Misuse of Government Equipment

(U) Privacy Act Violation

(U) Regulatory Violation

(U) Review of Agency-Administered Annuity Payments

(U) Time and Attendance Fraud

(U) Voucher Fraud

(U) CURRENT INVESTIGATIONS

As of 31 December 2003

Category	Number of cases
Grievances	
Assignment	1
Management and Supervision - Grievance	2
General Investigations	
Criminal and Prohibited Acts	
Conflicts of Interest	10
Embezzlement	4
False Claims - Other	8
False Claims/Statements/Vouchers	3
False Claims - Time & Attendance	10
False Claims - Visa/Passports	1
Firearms	1
Management and Supervision - Administrative	1
Megaprojects	1
Misconduct - Employee	4
Misconduct - Management	2
Procurement Fraud	10
Retaliation	1
Regulatory Violations	1
Theft and Misuse of Government Property	1
Waste	1
Other - Administrative/Criminal	13
Unsubstantiated Allegations	1
Total Ongoing Cases	76

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(U) COMPLETED SPECIAL REVIEWS

1 July – 31 December 2003

(U) Joint Report of the Inspectors General on the Alleged Iraqi Attempts to Procure Uranium From Niger

(U) CURRENT SPECIAL REVIEWS

31 December 2003

(U) Peer Review of the NRO Office of Inspector General

(U/[] Special Review of Accountability of the Findings and Recommendations From the Joint Inquiry Report on 9/11

[] Special Review of Management Practices Associated With a Counterterrorism Covert Action Program